

STATE OF MAINE  
PUBLIC UTILITIES COMMISSION

March 28, 2001

ORDER

PUBLIC UTILITIES COMMISSION  
NYNEX School and Library Project

Docket No. 1996-900

PUBLIC UTILITIES COMMISSION  
Maine Telecommunications Education  
Access Fund

Docket No. 2001-223

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

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**I. INTRODUCTION**

In this Order we approve the Advisory Board's recommendations to the Commission, pursuant to Chapter 285, § 5(B), concerning operation of the Maine Telecommunications Education Access Fund (MTEAF) from July 2001 – June 2002.

**II. APPROVAL OF MTEAF PROGRAM ELEMENTS FOR 2001 – 2002**

Title 35-A M.R.S.A. § 7104-B(4) provides that MTEAF funds must be used for the following: telecommunications services; Internet access; internal connections; computer and training. The Commission is to allocate money from the fund using the following guidelines:

- A. Ensure a basic level of connection for all qualified schools and libraries;
- B. To ensure all qualified schools and qualified libraries are capable of using the advanced technology equipment obtained through the fund;
- C. To ensure that more technologically sophisticated equipment is available to students in grades 9 to 12 and in larger qualified libraries in the State;
- D. To provide for necessary equipment to use the services obtained through the fund;
- E. To provide for internal connections necessary to use the services obtained through the fund;

F. To provide training to teachers so that they may assist and educate their students in the use of the advanced technology equipment; and

G. To provide for the establishment of computer technology training programs in schools to provide training to students in areas such as, but not limited to, electronic commerce, Internet proficiency and World Wide Web-enabled systems.

35-A M.R.S.A. § 7104-B(5). With these guidelines in mind, we approve the following program elements for operating the MTEAF from July 1, 2001 – June 30, 2002.

A. Assessments by Carriers

Title 35-A M.R.S.A. § 7104-B(3)(A) requires the Commission to annually establish an amount of up to .5% of retail charges, to be collected by intrastate carriers for the METAF. Chapter 285, § 2(B) requires the Advisory Board to recommend an amount to the Commission so the Commission can set the amount by May 1 each year. It further requires the Commission, in establishing the amount to be collected, to consider the needs of schools and libraries, the amount collected in the previous year and the impact on ratepayers, particularly when integrated with any State Universal Service Fund. Chapter 285, § 2(B).

The Advisory Board recommends that the maximum rate of .5% be collected from July 1, 2001 – June 30, 2002. This will produce a fund that will be sufficient to support the infrastructure to maintain the current MSLN. Total intrastate revenues in 1999 (the last year for which complete information is available) were approximately \$633 million. Using the maximum rate, this would create a fund of \$3.166 million. Twenty-five percent of the fund is to be used for technologically innovative programs (\$791,614). The Board currently projects that it will cost between \$2.6 and \$3.0 in state funds to operate the school and library as it currently exists (See Attachment 1). Therefore the .5% collection will be required, unless some of the funds remaining from MSLN are used for this purpose. The Board does not recommend using any of the remaining funds at this time as other contingencies may arise that will need funding from this source. These include failure to receive full funding request from Federal E-Rate (\$3.5-4.0M); delay in Federal E-Rate, necessitating using state funds until federal funds received; and use of some the funds to support “laptop” infrastructure. The statute allows carriers to pass this amount on to ratepayers. It is unknown at this time whether a State Universal Service Fund will be established under 35-A M.R.S.A. § 7104.<sup>1</sup> We agree with the Board that we should set the collection amount at .5%. After our first year of experience with the MTEAF, we should be in a better position to determine whether any of the contingencies are likely to materialize

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<sup>1</sup> The Commission is currently conducting an inquiry into whether such a fund is needed. See Docket No. 2001-81.

requiring use of the remaining MSLN funds and whether the program can be operated using less than the maximum rate of .5%.

B. Support for POTs for Libraries

Under the current MSLN, libraries are eligible for up to two POTs lines at a charge of \$12 per month per line, rather than the typical business rate of around \$31 to \$36 per month, per line. The Department of Education/State Library (DOE) contacted all libraries in December requesting a letter of agency (LOA) for the DOE to submit a blanket E-Rate application for Federal support for POT's. Almost all eligible libraries returned the LOA (approximately 300). These libraries should receive a 50-60% federal discount on their bills.

The Board recommends that the MTEAF continue to provide additional financial support of \$100 annually, per line for up to two lines, to libraries to supplement the Federal E-Rate. The Board recommends that one annual check of \$100 per line be sent to each library that submitted an LOA. This may cost MTEAF up to \$60,000. The Board also recommends that the \$100 annual support payment be made available to those libraries that use centrex or other systems that are ineligible for Federal E-Rate. Under this arrangement, libraries would be billed by their carrier for the regular business line charge (less any Federal E-Rate credit). We agree with the Board's recommendation and will continue this subsidy for the 2001 – 2002 program.

C. Support for Libraries Ineligible for Federal E-Rate

In the original MSLN program Order, the Commission decided that county law libraries and libraries in publicly funded institutions of higher learning were eligible to participate in the program (approximately 37 sites). Subsequently, the Commission decided that certain additional libraries would be eligible if they met certain requirements as certified by the State Librarian. These requirements included being open to the public, participating in interlibrary loans, being non-profit in nature, being open and staffed more than 20 hours per week. Order, Docket No. 96-900 (Nov. 7, 1996). This category included hospital libraries and private college libraries. Approximately 21 libraries qualified under this category. In March 1992, we adopted the recommendation of the Advisory Board that eligibility be extended to for-profit colleges if they met the criteria. This added 5 more sites. At least 30 of these libraries do not meet the criteria for eligibility under Federal E-Rate.

Title 35-A M.R.S.A. § 7104-B(1)(A) defines qualified libraries as libraries meeting the definitions of 27 M.R.S.A. § 110(10) or (12)<sup>2</sup> or "a library that provides free public access to all advanced telecommunications services available at that library and whose collection serves as a statewide resource, if the commission determines, in consultation with the Maine Library Commission, that including that library as a qualified library is in the public interest." We agree with the Board's recommendation that we submit a list of the libraries described above to the Library Commission and request its

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<sup>2</sup> These sections define "public library" and "research center."

recommendation as to which libraries meet the above additional definition.<sup>3</sup> The public interest standard should include consideration of need, cost, and whether the public will freely have access to the advanced telecommunications service. Qualified libraries, as recommended by the Library Commission will receive MTEAF funds to match Federal E-Rate. If the library is not eligible for Federal E-Rate the MTEAF will pay the entire amount for the connection. We expect the Library Commission to ensure that the statutory requirements are met, particularly that these libraries make the advanced telecommunications services (e.g. access to the Internet) freely available to the public and make that access known to the public.

D. Support for Multiple Sites Connected Through ATM

The MSLN provides \$358 per month toward the \$2,075 per month cost of ATM for high schools that are connected to the Internet through their ATM connection. There are a number of elementary and middle schools that have been wired to nearby high schools and are receiving their Internet service through the high school's ATM connection. Such connections benefit the sites by providing greater speeds and are actually more efficient from a network perspective. We agree with the Board's recommendation that those sites continue to receive MTEAF at the financial level for the connection for which they would otherwise be eligible (56 or T1), up to an amount not to exceed the monthly cost of the ATM connection, when all the sites' credits are taken together.

E. Innovative/Technologically Advanced

Title 35-A M.R.S.A. § 7104-B(5) requires that "[a] minimum of 25% of each annual program budget must be devoted to targeted projects that are innovative and technologically advanced." As explained above in II(A), if the Commission approves funding at the .5% of retail revenue level, approximately \$800,000 must be set aside for this use. The Board recommends that the MTEAF funding supporting sites using ATM be considered as meeting the criteria for technologically advanced (approximately \$300,000). We direct the Board to submit a proposal to us by September 1, 2001 on how the remaining funds should be used. Any funds unspent in 2001 – 2002 will be carried over for that purpose in 2002 – 2003 cycle.

F. Circuit Riders

The MSLN currently supports three "circuit riders" who are available by phone, e-mail, and on-site to assist schools and libraries. Feedback on this program has been extremely positive, especially for small schools and libraries. Northern Maine Technical College has administered this program and has proposed its continuation at a cost of \$229,950 annually. We agree with the Board that the MTEAF should continue to pay for this service.

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<sup>3</sup> Of the 64 libraries on the list, 32 either received AEV and or do not use their connection so they are not currently receiving Internet service through MSLN. Of the 32 sites actively using their MSLN connections, at least 7 are ineligible for E-Rate.

G. Computers

We agree with the Board's recommendation that no additional MTEAF funding be used for computers at this time. Schools and libraries without computers capable of working on MSLN received a computer as part of MSLN. Recently, 110 libraries qualified for a Gates Foundation grant awarding one to four new computers, software, training and tech support for one year. An additional 60 libraries qualify to purchase a computer for \$2,800, with the free software and support. A list of qualifying sites appear at [www.state.me.us/msl/gateslist.htm](http://www.state.me.us/msl/gateslist.htm).

H. Maintenance of FRADS

Currently 605 sites have a 56 kbps connection which uses a FRAD (Frame Relay Access Device). Some of these FRADS are wearing out after 4-5 years of use. The FRADS are no longer manufactured and it is not cost-effective to repair them. Verizon proposes to replace inoperable FRADS with routers. Verizon projects up to 100 FRADS will need to be replaced next year. Verizon technicians will replace the FRADS and the University of Maine will work with Verizon to configure the routers. The total cost to MSLN for 100 routers, including maintenance, will be \$218,486. We agree with the Board's recommendation and approve this spending and allow Verizon to purchase the routers immediately.

**III. CONCLUSION**

As described above, the first year of MTEAF funding will be primarily used to maintain the Internet connections provided by MSLN. After a year of experience, we will be in a better position to evaluate the collection process from carriers, the amount of money available, and the continued availability of federal support. Our primary goal in year 1 is to make a smooth transition, keep schools equipped with adequately sized connections, and maximize Federal funding. With this Order, we close out Docket No. 96-900 as this Order marks the transition from the MSLN to the MTEAF program.

Dated at Augusta, Maine, this 28<sup>th</sup> day of March, 2001.

BY ORDER OF THE COMMISSION

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Dennis L. Keschl  
Administrative Director

COMMISSIONERS VOTING FOR:      Welch  
   Nugent  
   Diamond

## Attachment 1

## Cost to MTEAF After Federal E-Rate Applied

Service	Per Month Charge Annualized	Number Of Sites	Total	Annual MTEAF Contribution	Annual Fed Contribution	% Fed Discount
56	\$80x12=\$960	605 <sup>4</sup> 446	\$ 580,800 \$ 428,160	\$ 238,128 \$ 175,545	\$ 342,200 \$ 252,614	59%
T-1	\$556.40x12=\$6,676.80	312 471	\$2,083,161 \$3,144,773	\$ 895,759 \$1,352,252	\$1,187,401 \$1,792,520	57%
Internet	\$115x12=\$1,380	1009	\$1,392,420	\$ 584,816	\$ 807,604	58%
AEV	\$556.40x12=\$6,667.80	107	\$ 714,418	\$ 285,767	\$ 428,651	60% <sup>5</sup>
ATM	\$2,075X12=\$24,900	50	\$1,245,000	\$ 214,800 <sup>6</sup>	\$ 747,000	60% <sup>2</sup>
Total MSLN Payment (State E-Rate)				\$2,219,270- \$2,613,180	\$3,512,656 \$4,028,389	

## Additional MTEAF Expenses:

1. Fiscal Agent = \$123,000
  2. Circuit Riders = \$250,000
- \$403,000

## Additional Expenses to be Paid Before June 30, 2001

1. \$12 Lines Libraries \$100 per line up to 2 lines x 300 libraries = \$ 60,000
  2. Routers to Replace Defective FRADS = \$218,486
- \$278,486

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<sup>4</sup> High and low-end ranges presented for the number of 56 Kbps and T-1 connections.

<sup>5</sup> Will vary with individual school. Analysis assumes 60% discount.

<sup>6</sup> MTEAF currently pays \$358 per month; assumes MTEAF will continue at this rate.

## NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Civil Procedure, Rule 73, et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.